

Message Text

LIMITED OFFICIAL USE

PAGE 01 THE HA 00795 140738Z

21

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01

ACDA-05 AID-05 MC-02 TRSE-00 COME-00 EB-07 /079 W

----- 091793

R 131615Z FEB 76

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 7581

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

LIMITED OFFICIAL USE THE HAGUE 0795

E.O. 11652: N/A

TAGS: MASS, NL, US, BE, DA, NO, WG

SUBJECT: DUTCH CONCERN OVER F-16 OFFSET PROGRAM

REF: A. BRUSSELS 1393; B. STATE 021192; C. HAGUE 5852, 11/75

1. SUMMARY- RECENT STORIES IN DUTCH PRESS INDICATE CONCERN THAT FOKKER MAY NOT BE ABLE OR WILLING TO UNDERTAKE FULL F-16 OFFSET PROGRAM IN NETHERLANDS. GENERAL DYNAMICS REPRESENTATIVE REPORTS FOKKER IS FACING EQUIPMENT AND LABOR RATE PROBLEMS AND HOPES TO ARRANGE LIABILITY GUARANTEE UNDER TERMINATION AGREEMENT. THESE GENERAL CONCERNS ECHO APPROACHES BY GON OFFICIALS TO SEE THAT DUTCH RECEIVE THEIR FAIR SHARE OF BENEFITS FROM F-16 PROGRAM. END SUMMARY.

2. SEVERAL ARTICLES HAVE APPEARED IN LOCAL PRESS REPORTING CONCERN VOICED BY HENK VOS, NVV (NEDERLANDSE VERBOND VAN VAKVERENIGINGEN) INDUSTRIAL UNION OFFICIAL OVER STATUS OF F-16 INDUSTRIAL PARTICIPATION PROGRAM. VOS REPORTEDLY CALLED FOR RENEWED POLITICAL DISCUSSION OF F-16 OFFSET PROGRAM, FOCUSING ON WHETHER USG IS CARRYING OUT ALL IT

LIMITED OFFICIAL USE

PAGE 02 THE HA 00795 140738Z

AGREED TO IN THE MOU. VOS SAID THAT NUMBER OF MAN YEARS

OF WORK IN NETHERLANDS TO BE EXPECTED FROM F-16 PROGRAM MAY SHRINK FROM 70,000 AS INITIALLY ENVISAGED, TO 25,000 OR PERHAPS EVEN HALF THAT AMOUNT. HE ALSO CLAIMS TO HAVE PROOF THAT GERMAN-DUTCH AIRCRAFT CONCERN VFW-FOKKER WOULD LIKE TO TRANSFER A LARGE PORTION OF OFFSET WORK FROM FOKKER IN NETHERLANDS BACK TO U.S. RATIONALE GIVEN BY VOS FOR THIS MOVE IS THAT FOKKER BELIEVES CAPITAL COSTS ARE TOO HIGH FOR CERTAIN MACHINERY NECESSARY FOR PRODUCTION.

3. PRESS ARTICLES DIFFERING WITH VOS' CONTENTIONS HAVE ALSO APPEARED, CLAIMING THAT VFW FOKKER IS ACTUALLY CONSIDERING TRANSFERRING WORK FROM FOKKER IN NETHERLANDS TO VFW IN GERMANY AND NOT RPT NOT TO U.S. ARTICLES STATE THAT FOKKER IS ALREADY ALMOST AT CAPACITY WITH PRODUCTION OF CIVIL AIRCRAFT, WHEREAS VFW IN GERMANY IS LAYING OFF WORKERS. DUE TO HIGH WAGES AND SOCIAL SECURITY PAYMENTS IN NETHERLANDS, FOKKER WOULD PREFER NOT TO HIRE ADDITIONAL WORKERS FOR MEDIUM TERM AND TEMPORARY PROJECTS SUCH AS F-16. IN ADDITION, IT IS SAID THAT VFW WAS THE NECESSARY MACHINERY MENTIONED ABOVE PARA 1.

4. IN CONVERSATION WITH EMBOFF, LOCAL GENERAL DYNAMICS (GD) REP SAID HE HAD DISCUSSED PRESS REPORTS WITH FOKKER F-16 PROJECT OFFICER WHO DENIED PLANS TO TRANSFER OFFSET TO VFW GERMANY. FOKKER IS AWARE THAT SUCH A MEASURE WOULD HAVE TO BE APPROVED BY FULL STEERING COMMITTEE SINCE GERMANY IS NOT PARTICIPATING IN F-16 BUY. GD REP EXPLAINED THAT FOKKER IS OPPOSED TO PURCHASING SPECIAL CAPITAL EQUIPMENT BECAUSE INITIAL RPT INITIAL PURCHASE ORDER FOR THE F-16 WILL COVER ONLY FULL SCALE DEVELOPMENT OF 8 AIRCRAFT WITH NO IRONCLAD GUARANTEE OF FURTHER PURCHASE ORDERS. FOR SUCH A RELATIVELY SMALL INITIAL CONTRACT FOKKER CAN JUSTIFY PURCHASE OF EQUIPMENT ONLY IF REIMBURSEMENT GUARANTEED UNDER TERMINATION AGREEMENT. IT IS NOT EXPECTED THAT THIS GUARANTEE WILL BE FORTHCOMING FROM USG OR GD. GD REP SPECULATED THAT FOKKER MAY HAVE APPROACHED GON FOR SUCH A GUARANTEE. GD REP WENT ON TO SAY THAT HIS OWN COMPANY HAS THE MACHINERY AND IS CAPABLE OF PERFORMING WORK IF FOKKER SHOULD REQUEST IT TO DO SO. IN TERMS OF MANHOURS, LOSS TO NETHERLANDS WOULD BE NEGLIGIBLE RELATIVE TO SIZE OF ENTIRE CONTRACT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 THE HA 00795 140738Z

5. COMMENT: IT IS WORTH NOTHING THAT IN THE MOU THE USG OFFSET COMMITMENT IS STATED IN TERMS OF DOLLARS AND THAT AMOUNT OF WORK IN MAN YEARS TO BE DERIVED FROM PROGRAM IS NOWHERE MENTIONED. PRESUMABLY, METHOD OF PRODUCTION, EITHER CAPITAL OR LABOR INTENSIVE, IS A EUROPEAN COMPANY LEVEL DECISION, THE ONLY CONSTRAINT BEING "REASONABLY COMPETITIVE" PROVISION. BASIC DIFFICULTY CAUSING THIS

LATEST FLURRY OF PRESS ARTICLES IS DIFFERING BUSINESS PRACTICES IN US AND EUROPE. DUE TO HIGH COST OF LABOR, PARTICULARLY WHEN LAYING OFF WORKERS, AND HIGH COST OF INVESTMENT FUNDS, FOKKER DOES NOT WISH TO TAKE THE RISKS INVOLVED IN HIRING MORE WORKERS AND INVESTING MORE CAPITAL ON THE BASIS OF A FULL-SCALE DEVELOPMENT CONTRACT INVOLVING ONLY EIGHT AIRCRAFT UNLESS ITS LIABILITY IS GUARANTEED UNDER A TERMINATION AGREEMENT.

6. PUBLIC EXPRESSION OF DUTCH CONCERN OVER WHETHER NETHERLANDS IS RECEIVING ITS FAIR SHARE OF DIRECT AND INDIRECT BENEFITS FROM F-16 PROGRAM ECHOS EARLIER APPROACHES BY GON OFFICIALS (SEE REF C). THESE CONCERNS APPARENTLY ARE SHARED BY OTHER MEMBERS OF CONSORTIUM (REF A) AND REFLECT OUR CONTINUING NEED FOR INFORMATION AND GUIDANCE. END COMMENT.
GOULD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FIGHTER AIRCRAFT, OFFSET PAYMENTS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 13 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976THEHA00795
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760057-0427
From: THE HAGUE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760248/aaaabqdf.tel
Line Count: 131
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BRUSSELS 1393, 76 STATE 21192
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAR 2004 by ElyME>; APPROVED <01 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DUTCH CONCERN OVER F-16 OFFSET PROGRAM
TAGS: MASS, NL, US, BE, DA, NO, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006